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Canada

Agricultural Situation

C\$1 BILLION FARM-AID PACKAGE

2005

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Report Highlights:

The GOC has announced C\$1 billion (\$820 million) in immediate federal assistance for Canadian farmers facing record low farm incomes. Most of the money will be paid to cattle ranchers and grain and oilseed producers. The new Farm Income Payment Program comes on the heels of record government financial assistance programs that paid out C\$4.9 billion to Canadian farmers during calendar year 2004.

Includes PSD Changes: No
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Summary: The GOC announced C\$1 billion in immediate federal assistance for Canadian farmers facing record low farm incomes. The Canadian government said the payout was the first step in an aggressive all-out effort to restructure the agriculture and agri-food industry in an attempt to return profitability to the sector. More than half of the payout, about C\$480 million, will go to grain and oilseed producers while cattle ranchers could receive up to C\$300 million. An estimated C\$220 million will be for producers of other animals, such as sheep and other crops including horticulture.

C\$1 Billion Farm-Aid Program

On March 29, 2005 Agriculture and Agri-Food Minister Andy Mitchell announced C\$1 billion in immediate federal assistance for Canadian farmers facing record low farm incomes. He characterized the Farm Income Payment Program (FIPP) as the first step in an aggressive all-out effort to restructure the national agriculture and agri-food industry and bring profitability back to the sector. The FIPP will begin delivering the money in April 2005. The GOC fiscal year begins April 1.

The C\$1 billion Farm Income Payment Program comes on the heels of record government (federal & provincial) financial assistance programs that paid out C\$4.9 billion to farmers during calendar year 2004. The program will provide assistance to all sectors but will provide the greatest benefit to the cattle industry and other ruminants and grains and oilseeds. Farm incomes in those sectors were severely impacted by the BSE crisis and drought.

Since agriculture is a shared federal/provincial jurisdiction Minister Mitchell called on the provinces to the FIPP initiative on a traditional 60/40 basis, but in a joint statement, the provinces of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland, Nova Scotia, Ontario, Prince Edward Island, Quebec and Saskatchewan declined to participate claiming that those individual provinces have already committed unprecedented resources to BSE-related programs and farm income issues.

The C\$1 billion aid announcement follows on a series of programs by the GOC directed at the agriculture industry since 2003, including:

- C\$2.6 billion in federal, provincial and territorial funding to assist the cattle and ruminant industry in the wake of the discovery of BSE in Canada, including a federal investment of C\$488 million for Canada's Repositioning the Livestock Industry Strategy;
- a C\$50 million federal contribution to the Canadian Cattlemen's Association's Legacy Fund to launch an aggressive marketing campaign to reclaim and expand markets for Canadian beef;
- modifications to Canada's key agricultural business risk management program, the Canadian Agricultural Income Stabilization (CAIS) Program, allowing it pay out more than C\$1.2 billion in its first 15 months to producers hurt by drought, the impact of BSE, the Avian flu epidemic and the decline in many commodity prices;
- an estimated C\$892 million in payments for the 2004 crop year under crop insurance to help farmers deal with weather-related losses;
- C\$930 million under the Transitional Industry Support Program to help farmers with income pressures and move to new business risk management programs;
- C\$104 million in new federal funding to expand cash advance programs to include livestock, allowing farmers to hold on to their products to avoid lower prices created by market oversupply. In 2004, spring and fall cash advances made \$1.2 billion available to Canadian farmers, with interest costs of over C\$12 million paid by the federal government.

Canada's Domestic Support and the WTO

Canada's domestic support limit, declared in terms of a single figure "Aggregate Measurement of Support" (AMS) is C\$4.3 billion. Despite the recent record government program payments (federal and provincial) to Canadian farmers and the new C\$1 billion FIPP, all indications are that Canada remains within its current WTO obligations with regard to domestic support.

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